

Department of Internal Audit

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State Controller's Office

November 7, 2005

Leslie M. Shenefelt
State Controller
633 17th Street, Suite 1500
Denver, CO 80202

Dear Mr. Shenefelt:

Attached are the University of Colorado's reports of procurement card misuse for the period from July 1, 2004 through June 30, 2005.

State Fiscal Rule 2-10 requires reporting of all incidents of procurement card misuse that are "recurring, significant or in excess of \$500." The attached reports include all fiscal year 2005 reported instances of misuse, as defined by University rules on procurement card use, regardless of dollar amount or rate of recurrence. The first report is a spreadsheet listing of employee misuse and the University's action in response. A summary of the violations is provided on a separate sheet. The other report is a listing of procurement card losses incurred as a result of unauthorized use of University-issued procurement cards by outside parties, and the result of recovery attempts.

The following statistics are provided to put into context the violations noted in the attached employee violation report:

Total number of University-issued procurement cards at 6/30/04:	3,969
Total number of University-issued procurement cards at 6/30/05:	4,201
Total number of procurement card transactions in FY2005:	275,590
Total dollar amount of procurement card transactions in FY2005:	\$69.3 million
Total number of transactions tested by Compliance Specialists ¹	1,362
Total number of employees issued violations	99

Key controls for the University's Procurement Card program are as follows:

- Each cardholder has an approving official, who approves all assigned cardholders' transactions and ensures program compliance.
- A user manual, the *Procurement Card Program Handbook*, is made available and required to be read by each cardholder and approving official.

¹ Number of transactions tested by Internal Audit is not readily available.

- New cardholders receive training on procurement card program rules before being assigned a procurement card.
- Because approving officials are a key control to the use of procurement cards, all existing approving officials have taken, and all newly appointed approving officials are required to take, web-based training on their responsibilities. Approving officials receive several email notifications throughout each month: one for each transaction as it occurs, a monthly summary total of purchases for each cardholder, and a monthly reminder of the types of activity that constitute Procurement Card Program violations.
- The University has established a system by which cardholders are sanctioned when violations of Procurement Card rules have occurred. Fifty points are assessed for each violation. Upon reaching a total of 150 points, the cardholder's card is suspended for a period not less than six months. Either the approving official or Procurement Card Administration may assess points. A cardholder may have his or her card removed at the request of the cardholder's approving official or unit head, regardless of the number of points assessed.
- Procurement Card Administration continues to employ two Compliance Specialists who monitor for program compliance. In addition, the University's Internal Audit Department performs targeted audits of procurement card expenditures.
- The System Controller, Procurement Card Administration and Internal Audit Department review the annual report of procurement card misuse to assess whether additional policy or procedures are needed to enhance the internal control structure.
- The University still has under consideration developing a system for sanctioning Approving Officials who fail to perform their procurement card responsibilities.

Following a review of the results of audit activity as included in the attached reports, the University has concluded that overall it does not have significant control issues with its procurement card program. Following University detection, all the employees involved repaid the amounts charged in the "Inadvertent Personal Purchase" category. Periodic reminders are presented in the Procurement Service Center newsletter about University policies to help prevent further exceptions related to 'Furniture, no Waiver' and 'Split Purchase' violations; after reviewing the number and value of these exceptions, the University does not believe additional controls are warranted other than continuation of this education approach. The University is in the process of providing training on University travel policies and procedures, which include the prohibition of using procurement cards; the University believes this new training program will help reduce the number of violations related to 'Travel Expense'. In addition, the University will include a summary of the employee violation report on its internal audit website to educate departments about current audit activities. This website is used as a means to keep University employees informed of problems that are detected in the University in order to help reduce recurrence. When new items are posted to this website, the campus controllers include a highlight and weblink in their newsletters to direct employees to the website.

The University continues to refine its procurement card misuse data collection process. In the future, we will attempt to capture the following additional information: the total number and dollar value of transactions tested, the dollar amount of relevant misuse transactions, and the violation

Leslie Shenefelt
November 7, 2005
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discovery source (e.g. approving official, unit head, Procurement Card Program compliance review, or internal audit).

If you require further information or clarification, please feel free to contact me.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Jean Stewart", with a long horizontal flourish extending to the right.

Jean Stewart
Director

enclosure

copies: President Brown
Vice President Moore
Mary Catherine Gaisbauer
Sandra Hicks
Danielle Hinz
Jud Hurd
Mickey Mendez
Jeff Parker
Steve Webb

University of Colorado
Summary of Employee Procurement Card Misuses - FY2005

Count of Violation Type	
Violation Type	Total
Card Sharing	5
Cash Type Transactions	2
Furniture, no Waiver	12
Inadvertent Personal Purchase	2
Inappropriate Purchase/Expense	1
Lack of Docs > 30 days	11
Other - deliberate personal use with intent to repay (and did so immediately)	1
Other - multiple issues	2
Propriety of Expenditure	5
Receipts consistently late	8
Split Purchase	19
Sponsored Project Purchase not allowed	1
Travel Expense	28
Vehicle Related Expenses	2
Grand Total	99

Univeristy of Colorado
Employee Procurement Card Misuse Report
Fiscal Year 2005

Campus	AO Dept	Date of Action	Violation_Type	Points	SumOfPoints	Adverse Action Type
Boulder	COMMUNICATION - HELLEMS FSC	04-Apr-05	Card Sharing	50	50	Points Issued
Boulder	CHEMICAL ENGINEERING	07-Apr-05	Card Sharing	50	100	Points Issued
Boulder	WOMENS STUDIES - HELLEMS FSC	18-May-05	Card Sharing		0	Card Revoked at Unit Head's Request
Health Sciences Center	PHYSIOLOGY & BIOPHYSICS AO-3	15-Jul-04	Card Sharing	50	50	Points Issued
Health Sciences Center	PHYSIOLOGY & BIOPHYSICS AO-3	04-Nov-04	Card Sharing	50	50	Points Issued
Boulder	CLAS AO-001	21-Mar-05	Cash Type Transactions	50	50	Points Issued
Boulder	CLAS AO-001	21-Mar-05	Cash Type Transactions	50	50	Points Issued
Boulder	CHEMICAL ENGINEERING	26-Jan-05	Furniture, no Waiver	50	100	Points Issued
Boulder	INTEGRATIVE PHYSIOLOGY	04-Apr-05	Furniture, no Waiver	50	50	Points Issued
Boulder	LEEDS SCHOOL OF BUSINESS AO-001	16-May-05	Furniture, no Waiver	50	50	Points Issued

Campus	AO Dept	Date of Action	Violation_Type	Points	SumOfPoints	Adverse Action Type
Boulder	Aero Eng AO-002	24-May-05	Furniture, no Waiver	50	50	Points Issued
Colorado Springs	ATHLETICS	08-Jul-04	Furniture, no Waiver	50	50	Points Issued
Colorado Springs	NISSC	24-Oct-04	Furniture, no Waiver	50	50	Points Issued
Colorado Springs	FACILITIES SERVICES	21-Mar-05	Furniture, no Waiver	50	50	Points Issued
Denver	CENTER FOR ARTS AND MEDIA	13-Dec-04	Furniture, no Waiver	50	50	Points Issued
Denver	GRADUATE SCHOOL OF PUBLIC AFFAIRS	26-May-05	Furniture, no Waiver	50	50	Points Issued
Health Sciences Center	PHARMACOLOGY	28-Oct-04	Furniture, no Waiver	50	50	Points Issued
Health Sciences Center	NEUROLOGY AO-1	11-Feb-05	Furniture, no Waiver	50	50	Points Issued
Health Sciences Center	GASTROENTEROLOGY AO-2	10-Mar-05	Furniture, no Waiver	50	50	Points Issued
Boulder	VCSA AO-002	08-Jul-04	Inadvertent Personal Purchase	50	50	Points Issued
Boulder	LEEDS SCHOOL OF BUSINESS AO-001	16-Nov-04	Inadvertent Personal Purchase	50	50	Points Issued

Campus	AO Dept	Date of Action	Violation_Type	Points	SumOfPoints	Adverse Action Type
Boulder	ATHLETICS AO-007	22-Apr-05	Inappropriate Purchase/Expense	50	50	Points Issued
Boulder	HISTORY - HELLEMS FSC	08-Jul-04	Lack of Docs > 30 days	50	50	Points Issued
Boulder	CEAENGR AO-001	21-Sep-04	Lack of Docs > 30 days	50	50	Points Issued
Boulder	LASP	26-Oct-04	Lack of Docs > 30 days	50	50	Points Issued
Boulder	CEAENGR AO-001	01-Nov-04	Lack of Docs > 30 days	50	50	Points Issued
Boulder	EE BIOLOGY	29-Mar-05	Lack of Docs > 30 days	50	50	Points Issued
Boulder	CIRES AO-005	30-Mar-05	Lack of Docs > 30 days	50	50	Points Issued
Boulder	EE BIOLOGY	07-Apr-05	Lack of Docs > 30 days	50	100	Points Issued
Boulder	INVST COMM STUDIES - OLD MAIN	23-May-05	Lack of Docs > 30 days	50	50	Points Issued
Boulder	EE BIOLOGY	13-Jun-05	Lack of Docs > 30 days	150	150	Card Revoked by Approving Official
Colorado Springs	PUBLIC SAFETY	01-Nov-04	Lack of Docs > 30 days	50	50	Points Issued

Campus	AO Dept	Date of Action	Violation_Type	Points	SumOfPoints	Adverse Action Type
Health Sciences Center	COLORADO HEALTH OUTCOMES AO-2 COHO	05-Aug-04	Lack of Docs > 30 days	50	50	Points Issued
Boulder	ARTS & SCIENCES - OLD MAIN FSC	28-Oct-04	Other - deliberate personal use	50	50	Points Issued
Health Sciences Center	CANCER CENTER AO-2	28-Oct-04	Other - multiple issues		250	Card Revoked
Health Sciences Center	HUMAN MEDICAL GENETICS	16-Feb-05	Other - multiple issues		0	Card Cancelled Following Audit
Boulder	INSTITUTE FOR BEHAVIORAL GENETICS	14-Jul-04	Propriety of Expenditure	50	50	Points Issued
Boulder	ITLL AO-001	28-Dec-04	Propriety of Expenditure	50	50	Card Suspended by Approving Official
Denver	ETHNIC STUDIES	04-Nov-04	Propriety of Expenditure	50	50	Points Issued
Health Sciences Center	SURGERY AO-1	05-Jan-05	Propriety of Expenditure	50	50	Points Issued
Health Sciences Center	COLORADO AHEC PROGRAM AO-1	28-Jan-05	Propriety of Expenditure	50	50	Points Issued
Boulder	PHYSICS	21-Jan-05	Receipts consistently late	50	50	Points Issued
Boulder	CEAENGR AO-001	23-Mar-05	Receipts consistently late	50	50	Points Issued

Campus	AO Dept	Date of Action	Violation_Type	Points	SumOfPoints	Adverse Action Type
Boulder	GEOGRAPHY - OLD MAIN FSC	18-Apr-05	Receipts consistently late	50	50	Points Issued
Boulder	GEOGRAPHY - OLD MAIN FSC	18-Apr-05	Receipts consistently late	50	50	Points Issued
Boulder	MCDB AO-001	04-May-05	Receipts consistently late	50	50	Points Issued
Boulder	RELIGIOUS STUDIES - OLD MAIN FSC	23-May-05	Receipts consistently late	50	50	Points Issued
Boulder	RELIGIOUS STUDIES - OLD MAIN FSC	23-May-05	Receipts consistently late	50	50	Points Issued
Denver	BUSINESS	08-Apr-05	Receipts consistently late	50	50	Points Issued
Boulder	INTEGRATIVE PHYSIOLOGY	22-Jul-04	Split Purchase	50	50	Points Issued
Boulder	Facilities Management AO-007	26-Jul-04	Split Purchase	50	50	Points Issued
Boulder	CHA AO-002	03-Aug-04	Split Purchase	50	100	Points Issued
Boulder	CIRES AO-004	19-Aug-04	Split Purchase	50	50	Points Issued
Boulder	ITS - INFORMATION TECHNOLOGY SERVICES	10-Nov-04	Split Purchase	50	50	Points Issued

Campus	AO Dept	Date of Action	Violation_Type	Points	SumOfPoints	Adverse Action Type
Boulder	TRANSPORTATION	10-Nov-04	Split Purchase	50	50	Points Issued
Boulder	ELECT & COMPUTER ENGINEERING	10-Nov-04	Split Purchase	50	50	Points Issued
Boulder	INSTITUTIONAL RELATIONS	10-Nov-04	Split Purchase	50	50	Points Issued
Boulder	PSYCHOLOGY AO-002	09-Dec-04	Split Purchase	50	50	Points Issued
Boulder	JILA	25-Jan-05	Split Purchase	50	50	Points Issued
Boulder	CS ARCADIA AO-004	18-May-05	Split Purchase	50	50	Points Issued
Denver	SCHOOL OF EDUCATION	28-Oct-04	Split Purchase	50	50	Points Issued
Denver	VC ACADEMIC AFFAIRS	10-Jan-05	Split Purchase	50	50	Points Issued
Denver	GRADUATE SCHOOL OF PUBLIC AFFAIRS	15-Feb-05	Split Purchase	50	50	Points Issued
Health Sciences Center	SCHOOL OF NURSING AO-6	03-Aug-04	Split Purchase	50	50	Points Issued
Health Sciences Center	IMMUNOLOGY AO-1	14-Oct-04	Split Purchase	50	50	Points Issued

Campus	AO Dept	Date of Action	Violation_Type	Points	SumOfPoints	Adverse Action Type
Health Sciences Center	RADIATION ONCOLOGY	10-Nov-04	Split Purchase	50	50	Points Issued
Health Sciences Center	BIOCHEM/MOLECULAR GENETICS-BBGN AO-3	18-Nov-04	Split Purchase	50	50	Points Issued
Health Sciences Center	IMMUNOLOGY AO-1	18-Nov-04	Split Purchase	50	50	Points Issued
Boulder	SCHOOL OF JOURNALISM AO-001	10-Feb-05	Sponsored Project Purchase not	50	50	Points Issued
Boulder	HOUSING DINING	26-Jul-04	Travel Expense	50	50	Points Issued
Boulder	MECHENG AO-002	03-Aug-04	Travel Expense	50	50	Points Issued
Boulder	EDO AO-002	15-Oct-04	Travel Expense	50	50	Points Issued
Boulder	LEEDS SCHOOL OF BUSINESS AO-001	20-Oct-04	Travel Expense	50	50	Points Issued
Boulder	CONTED AO-001	20-Oct-04	Travel Expense	50	50	Points Issued
Boulder	LEEDS SCHOOL OF BUSINESS AO-001	20-Oct-04	Travel Expense	50	50	Points Issued
Boulder	MCDB AO-001	01-Nov-04	Travel Expense	50	50	Points Issued

Campus	AO Dept	Date of Action	Violation_Type	Points	SumOfPoints	Adverse Action Type
Boulder	MCDB AO-001	03-Nov-04	Travel Expense	50	50	Points Issued
Boulder	ETHNIC STUDIES-KETCHUM FSC	05-Nov-04	Travel Expense	50	50	Points Issued
Boulder	SASC-PCDP AO-003	10-Nov-04	Travel Expense	50	50	Points Issued
Boulder	HISTORY - HELLEMS FSC	06-Jan-05	Travel Expense	50	50	Points Issued
Boulder	MUSIC AO-004	21-Jan-05	Travel Expense	50	50	Points Issued
Boulder	ICS - INSTITUTE OF COGNITIVE SCIENCE	21-Mar-05	Travel Expense	50	50	Points Issued
Boulder	LEEDS SCHOOL OF BUSINESS AO-001	23-Mar-05	Travel Expense	50	50	Points Issued
Boulder	LEEDS SCHOOL OF BUSINESS AO-001	29-Mar-05	Travel Expense	50	100	Points Issued
Boulder	SEWALL RES PROGRAM - HELLEMS FSC	04-Apr-05	Travel Expense	50	50	Points Issued
Boulder	LEEDS SCHOOL OF BUSINESS AO-001	18-Apr-05	Travel Expense	50	50	Points Issued
Boulder	MCDB AO-001	04-May-05	Travel Expense	50	50	Points Issued

Campus	AO Dept	Date of Action	Violation_Type	Points	SumOfPoints	Adverse Action Type
Boulder	CHEMICAL ENGINEERING	20-May-05	Travel Expense	50	50	Points Issued
Boulder	ENGLISH - HELLEMS FSC	23-May-05	Travel Expense	50	50	Points Issued
Denver	SCHOOL OF EDUCATION	14-Oct-04	Travel Expense	50	100	Points Issued
Denver	ACADEMIC AFFAIRS	08-Nov-04	Travel Expense	50	50	Points Issued
Denver	SCHOOL OF EDUCATION	10-Jun-05	Travel Expense	50	100	Points Issued
Health Sciences Center	CELL AND DEVELOPMENTAL BIOLOGY	28-Jul-04	Travel Expense	50	50	Points Issued
Health Sciences Center	MATERIALS MANAGEMENT	01-Nov-04	Travel Expense	50	50	Points Issued
Health Sciences Center	PREV MED & BIOMETRICS	23-May-05	Travel Expense	50	50	Points Issued
Health Sciences Center	PROJECT SAFE ARTS	23-May-05	Travel Expense	50	50	Points Issued
Health Sciences Center	SOM DEAN'S OFFICE	23-May-05	Travel Expense	50	50	Points Issued
Health Sciences Center	CTR FOR LABORATORY ANIMAL CARE AO-1	22-Jul-04	Vehicle Related Expenses	50	50	Points Issued

Campus	AO Dept	Date of Action	Violation_Type	Points	SumOfPoints	Adverse Action Type
Health Sciences Center	CPH/ARTS	10-Jun-05	Vehicle Related Expenses	50	50	Points Issued

University of Colorado
Report of Procurement Card Misuse by Non-Employees
Fiscal Year 2005

Date Reported	Transaction Amounts	Transaction Total	Recovered Amount	Unrecovered	Action Taken
18-Aug-04	\$19.95, \$29.95, \$24.05, \$1.00	\$75.85	\$75.85	\$0.00	#0883. JP Morgan letter.
29-Aug-04	\$22.53	\$22.53	\$0.00	\$22.53	Card Stolen and Used at McDonalds. Card cancelled and reissued.
16-Sep-04	\$20.06, \$280.62, \$280.62, \$280.62.	\$861.92	\$861.92	\$0.00	#8797. JP Morgan letter.
06-Nov-04	\$314.64	\$314.64	\$0.00	\$314.64	2/11/05 - Bank unable to recoup fraudulent charges. Amount paid by CU.
10-Jun-05	\$33.90, \$49.95, \$49.95	\$133.80	\$0.00	\$133.80	JP Morgan letter.
Totals		\$1,408.74	\$937.77	\$470.97	